Reimagining and Improving Student Education (RISE)

Negotiated Rulemaking Session 1, September 29 — October 3, 2025

Proposed Regulatory Text Only

Amend § 674.39 by revising paragraph (e) to read as follows:

§ 674.39 Loan rehabilitation.

* * * * *

(e) (1) On or before June 30, 2027, ~~T~~the borrower may rehabilitate a defaulted loan only one time.

(2) On or after July 1, 2027, the borrower may rehabilitate a defaulted loan a maximum of two times.

* * * * *

Amend § 682.215 by revising paragraphs (a), (b), (d), (e) and (f) to read as follows:

§ 682.215 Income-based repayment plan.

(a) * * *

~~(4) ***Partial financial hardship*** means a circumstance in which—~~

~~(i) For an unmarried borrower or a married borrower who files an individual Federal tax return, the annual amount due on all of the borrower's eligible loans, as calculated under a standard repayment plan based on a 10-year repayment period, using the greater of the amount due at the time the borrower initially entered repayment or at the time the borrower elects the income-based repayment plan, exceeds 15 percent of the difference between the borrower's AGI and 150 percent of the poverty guideline for the borrower's family size; or~~

~~(ii) For a married borrower who files a joint Federal tax return with his or her spouse, the annual amount due on all of the borrower's eligible loans and, if applicable, the spouse's eligible loans, as calculated under a standard repayment plan based on a 10-year repayment period, using~~

~~the greater of the amount due at the time the loans initially entered repayment or at the time the borrower or spouse elects the income-based repayment plan, exceeds 15 percent of the difference between the borrower's and spouse's AGI, and 150 percent of the poverty guideline for the borrower's family size.~~

(4) ***Applicable amount*** means, for the purposes of the IBR plan, 15 percent of the result obtained by calculating, on at least an annual basis, the amount by which the adjusted gross income of the borrower's and the borrower's spouse's (if applicable) exceeds 150 percent of the poverty guideline.

* * * * *

(b) * * *

(1) For the Income-Based Repayment plan, ~~A~~a borrower may elect ~~the income-based repayment plan only if the borrower has a partial financial hardship~~ to have their aggregate monthly payment recalculated to not exceed the applicable amount when the borrower initially enters the plan. The borrower's aggregate monthly loan payments are limited to no more than 15 percent of the amount by which the borrower's AGI exceeds 150 percent of the poverty line income applicable to the borrower's family size, divided by 12. The loan holder adjusts the calculated monthly payment if—

(i) Except for borrowers provided for in paragraph (b)(1)(ii) of this section, the total amount of the borrower's eligible loans includes loans not held by the loan holder, in which case the loan holder determines the borrower's adjusted monthly payment by multiplying the calculated payment by the percentage of the total outstanding principal amount of the borrower's eligible loans that are held by the loan holder;

(ii) Both the borrower and the borrower's spouse have eligible loans and filed a joint Federal tax return, in which case the loan holder determines—

(A) Each borrower's percentage of the couple's total eligible loan debt;

(B) The adjusted monthly payment for each borrower by multiplying the calculated payment by the percentage determined in paragraph (b)(1)(ii)(A) of this section; and

(C) If the borrower's loans are held by multiple holders, the borrower's adjusted monthly payment by multiplying the payment determined in paragraph (b)(1)(ii)(B) of this section by the percentage of the total outstanding principal amount of the borrower's eligible loans that are held by the loan holder;

(iii) The calculated amount under paragraph (b)(1), (b)(1)(i), or (b)(1)(ii) of this section is less than $5.00, in which case the borrower's monthly payment is $0.00; or

(iv) The calculated amount under paragraph (b)(1), (b)(1)(i), or (b)(1)(ii) of this section is equal to or greater than $5.00 but less than $10.00, in which case the borrower's monthly payment is $10.00.

* * *

(5) Except as provided in paragraph (b)(4) of this section, accrued interest is capitalized at the time the borrower chooses to leave the income-based repayment plan or ~~no longer has a partial financial hardship~~ when their aggregate monthly payment amount exceeds the applicable amount.

(6) If the borrower's monthly payment amount is not sufficient to pay any principal due, the payment of that principal is postponed until the borrower chooses to leave the income-based repayment plan or ~~no longer has a partial financial hardship~~ when their aggregate monthly payment amount exceeds the applicable amount.

(7) The special allowance payment to a lender during the period in which the borrower has ~~a partial financial hardship~~ their aggregate monthly payment recalculated to not exceed the applicable amount, under the income-based repayment plan, is calculated on the principal balance of the loan and any accrued interest unpaid by the borrower.

* * * * *

(d) * * *

(1) If a borrower's monthly payment amount exceeds the applicable amount ~~no longer has a partial financial hardship~~, the borrower may continue to make payments under the income-based repayment plan, but the loan holder must recalculate the borrower's monthly payment. The loan holder also recalculates the monthly payment for a borrower who chooses to stop making income-based payments. In either case, as a result of the recalculation—

(i) The maximum monthly amount that the loan holder requires the borrower to repay is the amount the borrower would have paid under the FFEL standard repayment plan based on a 10-year repayment period using the amount of the borrower's eligible loans that was outstanding at the time the borrower began repayment on the loans with that holder under the income-based repayment plan; and

(ii) The borrower's repayment period based on the recalculated payment amount may exceed 10 years.

* * * * *

(e) * * *

(1) The loan holder ~~determines whether a borrower~~ recalculates the borrower's aggregate monthly payment to not exceed the applicable amount ~~has a partial financial hardship to qualify for the income-based repayment plan~~ for the year the borrower elects the Income-Based Repayment plan and for each subsequent year that the borrower remains on the plan. To make this determination, the loan holder requires the borrower to—

(i) Provide documentation, acceptable to the loan holder, of the borrower's AGI;

(ii) If the borrower's AGI is not available, or the loan holder believes that the borrower's reported AGI does not reasonably reflect the borrower's current income, provide other documentation to verify income;

(iii) If the spouse of a married borrower who files a joint Federal tax return has eligible loans and the loan holder does not hold at least one of the spouse's eligible loans—

(A) Ensure that the borrower's spouse has provided consent for the loan holder to obtain information about the spouse's eligible loans from the National Student Loan Data System; or

(B) Provide other documentation, acceptable to the loan holder, of the spouse's eligible loan information; and

(iv) Annually certify the borrower's family size. If the borrower fails to certify family size, the loan holder must assume a family size of one for that year.

(2) After ~~making a determination that a borrower has a partial financial hardship to qualify for the income-based repayment plan~~ determining the borrower's aggregate monthly payment for the year the borrower initially elects the plan and for any subsequent year that the borrower ~~has a partial financial hardship~~ remains on the Income-Based Repayment plan, the loan holder must send the borrower a written notification that provides the borrower with—

(i) The borrower's scheduled monthly payment amount, as calculated under paragraph (b)(1) of this section, and the time period during which this scheduled monthly payment amount will apply (annual payment period);

(ii) Information about the requirement for the borrower to annually provide the information described in paragraph (e)(1) of this section, if the borrower chooses to remain on the income-based repayment plan after the initial year on the plan, and an explanation that the borrower will be notified in advance of the date by which the loan holder must receive this information;

(iii) An explanation of the consequences, as described in paragraphs (e)(1)(iv) and (e)(7) of this section, if the borrower does not provide the required information;

(iv) An explanation of the consequences if the borrower no longer wishes to repay under the income-based repayment plan; and

(v) Information about the borrower's option to request, at any time during the borrower's current annual payment period, that the loan holder recalculate the borrower's monthly payment amount if the borrower's financial circumstances have changed and the income amount that was used to calculate the borrower's current monthly payment no longer reflects the borrower's current income. If the loan holder recalculates the borrower's monthly payment amount based on the borrower's request, the loan holder must send the borrower a written notification that includes the information described in paragraphs (e)(2)(i) through (e)(2)(v) of this section.

(3) For each subsequent year that a borrower ~~who currently has a partial financial hardship~~ remains on the income-based repayment plan, the loan holder must notify the borrower in writing of the requirements in paragraph (e)(1) of this section no later than 60 days and no earlier than 90 days prior to the date specified in paragraph (e)(3)(i) of this section. The notification must provide the borrower with—

(i) The date, no earlier than 35 days before the end of the borrower's annual payment period, by which the loan holder must receive all of the information described in paragraph (e)(1) of this section (annual deadline); and

(ii) The consequences if the loan holder does not receive the information within 10 days following the annual deadline specified in the notice, including the borrower's new monthly payment amount as determined under paragraph (d)(1) of this section, the effective date for the recalculated monthly payment amount, and the fact that unpaid accrued interest will be capitalized at the end of the borrower's current annual payment period in accordance with paragraph (b)(5) of this section.

(4) Each time a loan holder ~~makes a determination that a borrower no longer has a partial financial~~ ~~hardship~~ recalculates the borrower’s monthly payment amount for a subsequent year that the borrower wishes to remain on the plan, the loan holder must send the borrower a written notification that provides the borrower with—

(i) The borrower's recalculated monthly payment amount, as determined in accordance with paragraph (d)(1) of this section;

(ii) An explanation that unpaid accrued interest will be capitalized in accordance with paragraph (b)(5) of this section; and

(iii) Information about the borrower's option to request, at any time, that the loan holder ~~redetermine whether the borrower has a partial financial hardship~~ recalculate the monthly payment amount, if the borrower's financial circumstances have changed and the income amount used ~~to determine that the borrower no longer has a partial financial hardship~~ does not reflect the borrower's current income, and an explanation that the borrower will be notified annually of this option. ~~If the loan holder determines that the borrower again has a partial financial hardship~~ If the loan holder recalculates the borrower's monthly payment amount based on the borrower's request, the loan holder must ~~recalculate the borrower's monthly payment in accordance with paragraph (b)(1) of this section and~~ send the borrower a written notification that includes the information described in paragraphs (e)(2)(i) through (e)(2)(v) of this section.

(5) For each subsequent year that a borrower ~~who does not currently have a partial financial hardship~~ remains on the income-based repayment plan, the loan holder must send the borrower a written notification that includes the information described in paragraph (e)(4)(iii) of this section.

(6) If a borrower who is currently repaying under another repayment plan selects the income-based repayment plan but does not provide the documentation described in paragraphs (e)(1)(i) through (e)(1)(iii) of this section, ~~or if the loan holder determines that the borrower does not have a partial financial hardship,~~ the borrower remains on his or her current repayment plan.

* * * * *

(f) * * *

(1) To qualify for loan forgiveness after 25 years, the borrower must have participated in the income-based repayment plan and satisfied at least one of the following conditions during that period—

(i) Made reduced monthly payments ~~under a partial financial hardship~~ as provided in paragraph (b)(1) of this section, including a monthly payment amount of $0.00, as provided in paragraph (b)(1)(iii) of this section;

(ii) Made reduced monthly payments ~~after the borrower no longer had a partial financial hardship~~ or stopped making income-based payments as provided in paragraph (d)(1) of this section;

(iii) Made monthly payments under any repayment plan, that were not less than the amount required under the FFEL standard repayment plan described in § 682.209(a)(6)(vi) with a 10-year repayment period for the amount of the borrower's loans that were outstanding at the time the loans initially entered repayment;

(iv) Made monthly payments under the FFEL standard repayment plan described in § 682.209(a)(6)(vi) based on a 10-year repayment period; or

(v) Received an economic hardship deferment on eligible FFEL loans.

* * * * *

Amend § 682.405 by revising paragraphs (a)(3) and (4) to read as follows:

§ 682.405 Loan rehabilitation agreement.

(a) * * *

(3) * * *

(iii) On or after July 1, 2027, a~~A~~ borrower may only obtain the benefit of a suspension of administrative wage garnishment one time per each ~~while also~~ attempt~~ing~~ to rehabilitate a defaulted loan ~~once~~.

(4) (i) After the loan has been rehabilitated, the borrower regains all benefits of the program, including any

remaining deferment eligibility under section 428(b)(1)(M) of the Act, from the date of the rehabilitation. ~~Effective for any loan that is rehabilitated on or after August 14, 2008, the borrower cannot rehabilitate the loan again if the loan returns to default status following the rehabilitation.~~

(ii) A loan may only be rehabilitated once between August 14, 2008, through June 30, 2027. On or after July 1, 2027, a loan may only be rehabilitated a maximum of two times over the loan's lifetime, regardless of when the loan was made.

* * * * *

Amend § 685.102 by revising paragraph (a) to read as follows:

§ 685.102 Definitions.

(a) * * *

Expected time to credential: From July 1, 2026, the expected time for a student to complete a program that is equal to or the lesser of—

(1) three academic years, or its equivalent; or

(2) the period determined by calculating the difference between—

(i) the program length for the program of study in which the individual is enrolled; and

(ii) the period of such program of study that such individual has completed as of the date of the determination under paragraph (2) of this definition.

* * *

Graduate student: A student enrolled in a program of study that is above the baccalaureate level and awards a graduate credential (other than a professional degree) upon completion of the program.

* * *

Professional student: A student enrolled in a program of study that awards a professional degree upon completion of the program;

(1) A professional degree is a degree that signifies both completion of the academic requirements for beginning practice in a given profession and a level of professional skill beyond that normally required for a bachelor's degree, where professional licensure is also generally required. These programs are designated as professional degrees: Pharmacy (Pharm.D.), Dentistry (D.D.S. or D.M.D.), Veterinary Medicine (D.V.M.), Chiropractic (D.C. or D.C.M.), Law (L.L.B. or J.D.), Medicine (M.D.), Optometry (O.D.), Osteopathic Medicine (D.O.), Podiatry (D.P.M., D.P., or Pod.D.), Theology (M.Div., or M.H.L.). Additional professional degrees must be designated by the Secretary through rulemaking, as required by 20 U.S.C. 1098a and 5 U.S.C. 553.

(2) A professional student under this definition:

(i) May not receive title IV aid as an undergraduate student for the same period of enrollment;

(ii) Must be enrolled in a program leading to a professional degree under paragraph (1) of this definition; and

(iii) Has completed the equivalent of at least three years of full-time study either prior to entrance into the program or as part of the program itself.

Program length: The minimum amount of time in weeks, months, or years that is specified in the catalog, marketing materials, or other official publications of an institution for a full-time student to complete the requirements for a specific program of study.

* * * * *

Amend § 685.200 by revising paragraph (b) to read as follows:

§ 685.200 Borrower eligibility.

* * * * *

(b) Student PLUS borrower.

(1) A graduate student or professional student is eligible to receive a Direct PLUS Loan if the student meets the following requirements:

(~~1~~i) The student is enrolled, or accepted for enrollment, on at least a half-time basis in a school that participates in the Direct Loan Program.

(~~2~~ii) The student meets the requirements for an eligible student under 34 CFR part 668.

(~~3~~iii) The student meets the requirements of paragraphs (a)(1)(iv) and (a)(1)(v) of this section, if applicable.

(~~4~~iv) The student has received a determination of his or her annual loan maximum eligibility under the Direct Unsubsidized Loan Program and, for periods of enrollment beginning before July 1, 2012, the Direct Subsidized Loan Program; and

(~~5~~v) The student meets the requirements that apply to a parent under paragraphs (c)(2)(viii)(A) through (G) of this section.

(2)(i) Beginning on July 1, 2026, a graduate student or professional student may not borrow a Direct PLUS Loan.

(ii) The limitation for making new Federal Direct PLUS Loan awards described in paragraph (b)(2)(i) of this section shall not be applicable to student borrowers during the period of the student's expected time to credential, if—

(A) the student is enrolled in a program of study at an institution as of June 30, 2026; and

(B) a Direct Loan was made for such program of study prior to July 1, 2026.

(3) If the student withdraws in accordance with § 668.22 or otherwise ceases to be enrolled in the program of study at any point after receiving the exception under paragraph (b)(2)(ii) of this section, the limitations under paragraph (b)(2)(i) shall apply.

* * * * *

Amend § 685.201 by revising paragraph (b)(2)(ii) to read as follows:

§ 685.201 Obtaining a loan.

* * * * *

(b) * * *

(2) * * *

(ii) On or after July 1, 2026, a graduate student or professional student may only apply for a Direct PLUS Loan if the student satisfies the conditions set forth in § 685.200(b)(2)(ii).

* * * * *

Amend § 685.203 by revising paragraphs (b)(2), (c)(2), (e), (f), (g), and (j); and adding new paragraphs (l) and (m) to read as follows:

§ 685.203 Loan limits.

* * * * *

(b) * * *

(2) * * *

(iii) In the case of a graduate or professional student for a period of enrollment beginning on or after July 1, 2012, and ending on or before June 30, 2026, the total amount the student may borrow for any academic year of study under the Direct Unsubsidized Loan Program may not exceed $8,500.

(iv) *Loan Limits for Graduate and Professional Students for Periods of Enrollment Beginning On or After July 1, 2026*

(A)(*1*) Notwithstanding paragraph (l) of this section, a graduate student, who is not a professional student, for a period of enrollment beginning on or after July 1, 2026, may borrow up to $20,500 for any academic year under the Direct Unsubsidized Loan Program.

(*2*) Notwithstanding paragraph (l) of this section, a professional student, for a period of enrollment beginning on or after July 1, 2026, may borrow up to $50,000 for any academic year under the Direct Unsubsidized Loan Program.

(B) The limitations in effect on July 1, 2026, for annual loan limits as described in paragraph (b)(2)(iv)(A) of this section shall not be applicable to student borrowers during the period of the student's expected time to credential if—

(*1*) the student is enrolled in a program of study at an institution as of June 30, 2026; and

(*2*) a Direct Loan was made prior to July 1, 2026, for such a program of study.

(C) If the student withdraws in accordance with § 668.22 or otherwise ceases to be enrolled in the program of study at any point after receiving the exception under paragraph (b)(2)(iv)(B) of this section, the limitations under paragraph (b)(2)(iv)(A) shall apply.

* * * * *

(c) * * *

(2) * * *

(v) In the case of a graduate or professional student for a period of enrollment through June 30, 2026, $12,000.

* * * * *

(e) * * *

(3) For a graduate or professional student enrolled before July 1, 2026, $138,500, including any loans for undergraduate study, minus any Direct Subsidized Loan, Subsidized Federal Stafford Loan, and Federal SLS Program loan amounts.

(4) Notwithstanding paragraph (l) of this section, beginning on July 1, 2026, for a graduate student enrolled on or after July 1, 2026—

(i) who is not and has never been a professional student at that institution, $100,000.

(ii) who is or has been a professional student at that institution, $200,000, minus any amounts such student borrowed as a graduate student.

(5) Notwithstanding paragraph (l) of this section, beginning on July 1, 2026, for a professional student, $200,000, minus any Direct Subsidized Loan, Subsidized Federal Stafford Loan, and Federal SLS Program loan amounts and any amounts such student borrowed as a graduate student, if applicable.

(6) The limitations for aggregate loan limits described in paragraphs (e)(4) and (e)(5) of this section shall not be applicable to student borrowers during the period of the student's expected time to credential, if—

(i) the student is enrolled in a program of study at an institution as of June 30, 2026; and

(ii) a Direct Loan was made for such program of study prior to July 1, 2026.

(7) If the student withdraws in accordance with § 668.22 or otherwise ceases to be enrolled in the program of study at any point after receiving the exception under paragraph (e)(6) of this section, the limitations under paragraphs (e)(4) or (e)(5) shall apply, as applicable.

* * * * *

(f) Direct PLUS Loans annual limit.

(1) *Annual Limits Before July 1, 2026.* The total amount of all Direct PLUS Loans that a parent or parents may borrow on behalf of each dependent student, or that a graduate or professional student may borrow, for any academic year of study before July 1, 2026, may not exceed the cost of attendance minus other estimated financial assistance for the student.

(2) *Annual Limits On or After July 1, 2026*

(i) Beginning on July 1, 2026, the total amount of all Direct PLUS Loans that all parents may borrow on behalf of each dependent student for any academic year of study may not exceed $20,000 minus other financial assistance (as defined in Sec. 480(i) of the Act) for the student.

(ii) The limitation for annual loan limits described in paragraph (f)(2)(i) of this section shall not be applicable to parent borrowers, who borrowed a loan on behalf of a dependent student, during the period of the student's expected time to credential, if—

(A) the student is enrolled in a program of study at an institution as of June 30, 2026; and

(B) a Direct Loan was made to the parent borrower for such program of study on behalf of the dependent student, or a Direct Loan was made to the dependent student for such program of study.

(iii) If the student withdraws in accordance with § 668.22 or otherwise ceases to be enrolled in the program of study at any point after receiving the exception under paragraph (f)(2)(ii) of this section, the limitations under paragraph (f)(2)(i) of this section shall apply to the parent borrower of that dependent student.

* * * * *

(g) Direct PLUS Loans aggregate limit.

(1) *Aggregate Limits Before July 1, 2026.* The total amount of all Direct PLUS Loans that a parent or parents may borrow on behalf of each dependent student, or that a graduate or professional student may borrow before July 1, 2026, for enrollment in an eligible program of study may not exceed the student's cost of attendance minus other estimated financial assistance for that student for the entire period of enrollment.

(2) *Aggregate Limits On or After July 1, 2026.* Beginning on July 1, 2026, the total amount of all Direct PLUS Loans that all parents may borrow on behalf of each dependent student for enrollment in an eligible program of study may not exceed $65,000 for the entire period of enrollment, without regard to any amounts repaid, forgiven, canceled, or otherwise discharged on any such loan. Any amount of loan funds that have been returned by the institution, or the borrower will not count against the aggregate loan limit under this paragraph (g)(2).

(3) The limitation for aggregate loan limits described in paragraph (g)(2) of this section shall not be applicable to

parent borrowers during the period of the student's expected time to credential, if—

(i) the student is enrolled in a program of study at an institution as of June 30, 2026; and

(ii) a Direct Loan was made to the parent for such program of study on behalf of the dependent student, or a Direct Loan was made to the dependent student for such program of study prior to July 1, 2026.

(4) If the student withdraws in accordance with § 668.22 or otherwise ceases to be enrolled in the program of study at any point after receiving the exception under paragraph (g)(3) of this section, the limitations under paragraph (g)(2) of this section shall apply.

* * * * *

(j) Maximum loan amounts.

(1) In no case may a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan amount exceed the student's estimated cost of attendance for the period of enrollment for which the loan is intended, less—

(~~1~~i) The student's estimated financial assistance for that period; and

(~~2~~ii) In the case of a Direct Subsidized Loan, the borrower's expected family contribution for that period.

(2) Effective July 1, 2026, the lifetime maximum aggregate amount of loans made, insured, or guaranteed under the Act that a student may borrow, excluding Federal PLUS loans or Federal Direct PLUS loans, shall be $257,500 without regard to any amounts repaid, forgiven, canceled, or otherwise discharged on such loans. Any amount of loan funds that have been returned by the institution, or the borrower, will not count against the lifetime maximum aggregate loan limit in this paragraph (j)(2).

(3) The limitation for lifetime maximum aggregate loan limits described in paragraph (j)(2) of this section shall not be applicable to student borrowers during the period of the student's expected time to credential, if—

(i) the student is enrolled in a program of study at an institution as of June 30, 2026; and

(ii) a Direct Loan was made for such program of study prior to July 1, 2026.

(4) If the student withdraws in accordance with § 668.22 or otherwise ceases to be enrolled in the program of study at any point after receiving the exception under paragraph (j)(3) of this section, the limitations under paragraph (j)(2) of this section shall apply.

* * * * *

(l) For the purposes of this section, if a student is enrolled in a program that awards both a graduate degree and professional degree, the student shall be considered a professional student if more than 50% of the credit hours in that program count toward the professional degree.

* * * * *

(m) Additional Rules for Loan Limits.

(1) *Less Than Full-Time Enrollment.* Notwithstanding any provision of 34 CFR parts 682 or 685, in any case in which a student is enrolled in an eligible program at an institution on a less than a full-time basis during any academic year, the amount of any Direct Loan that student may borrow for an academic year or its equivalent shall be reduced in direct proportion to the degree to which that student is not so enrolled on a full-time basis, on the census date (or its equivalent), rounded to the nearest whole percentage point, as follows:

$$\left(\frac{number\ of\ hours\ enrolled\ for\ academic\ year}{full\ time\ hour\ load\ for\ program\ of\ study}\right) X\ 100 = reduced\ annual\ loan\ limit\ percentage$$

(2) *Institutionally Determined Loan Limits*

(i) Beginning on July 1, 2026, an institution may limit the total amount of Direct Subsidized, Unsubsidized, and PLUS loans that a student, or a parent on behalf of such student, may borrow for a

program of study for an academic year, as long as any such limit is applied consistently to all students enrolled in that program of study.

(ii) An institution that limits the total amount of Direct Loans for an eligible program under paragraph (l)(2)(i) of this section must document its decision and follow the record retention and examination requirements in 34 CFR 668.24.

(iii) An institution must provide clear and conspicuous information describing any program of study that is subject to the loan limitation and explain the need for such limitation to current and prospective students, including, but not limited to: publication in the institution's course catalog, publication on institution's website(s), and award notifications.

(iv) Prior to taking such action under paragraph (l)(2)(i) of this section, an institution must notify the student who plans to enroll or is enrolled in the program subject to this limitation.

* * * * *

Amend § 685.204 by revising paragraphs (f) and (g) to read as follows:

§ 685.204 Deferment.

* * * * *

(f) ***Unemployment deferment.***

(1)(i) For loans disbursed before July 1, 2027, a~~A~~ Direct Loan borrower is eligible for a deferment during periods that, collectively, do not exceed three years in which the borrower is seeking and unable to find full-time employment.

(ii) For loans disbursed on or after July 1, 2027, a borrower may not receive an unemployment deferment.

* * *

(3) For the purposes of obtaining an unemployment deferment under paragraph (f)(2)(ii) of this section, the following rules apply:

(i) * * *

* * * * *

(g) ***Economic hardship deferment.***

(1)

(i) For loans disbursed before July 1, 2027, ~~A~~a Direct Loan borrower who has experienced or will experience an economic hardship in accordance with paragraph (g)(2) of this section, is eligible for a deferment during periods that, collectively, do not exceed three years ~~in which the borrower has experienced or will experience an economic hardship in accordance with paragraph (g)(2) of this section~~.

(ii) For loans disbursed on or after July 1, 2027, a borrower may not receive an economic hardship deferment under paragraph (g) of this section.

(iii) An economic hardship deferment is granted for periods of up to one year at a time, except that a borrower who receives a deferment under paragraph (g)(2)(iv) of this section may receive an economic hardship deferment for the lesser of the borrower's full term of service in the Peace Corps or the borrower's remaining period of economic hardship deferment eligibility under the 3-year maximum.

* * * * *

Amend § 685.205 by revising paragraph (c) to read as follows:

§ 685.205 Forbearance.

* * * * *

(c) ***Period of forbearance.***

(1)(i) The Secretary grants forbearance for a period of up to one year.

(ii) For loans disbursed on or after July 1, 2027, and notwithstanding paragraph (c)(1)(i) of this section, the Secretary grants forbearance for a period that does not exceed nine months within a 24-month period for forbearances under paragraph (a)(1) of this section. The forbearance under this paragraph

(c)(1)(ii) begins on the first month for which the forbearance is granted.

* * * * *

Amend § 685.208 by revising and republishing the section in its entirety to read as follows:

§ 685.208 Fixed payment repayment plans.

(a) *General.*

Under a fixed payment repayment plan, the borrower's required monthly payment amount is determined based on the amount of the borrower's Direct Loans, the interest rates on the loans, and the repayment plan's maximum repayment period.

(b) *Fixed Repayment Plans for Direct Loans Made Before July 1, 2026.*

~~The repayment plans under this (b) shall only apply to Direct Loans made before July 1, 2026.~~

(1) Standard repayment plan for all Direct Subsidized Loan, Direct Unsubsidized Loan, and Direct PLUS Loan borrowers, ~~regardless of when they entered repayment~~ who have not received a Direct Loan on or after July 1, 2026, and for Direct Consolidation Loan borrowers who entered repayment before July 1, 2006 and have not received a Direct Loan on or after July 1, 2026.

(i) Under this repayment plan, a borrower must repay a loan in full within ten years from the date the loan entered repayment by making fixed monthly payments.

(ii) A borrower's payments under this repayment plan are at least $50 per month, except that a borrower's final payment may be less than $50.

(iii) The number of payments or the fixed monthly repayment amount may be adjusted to reflect changes in the variable interest rate identified in § 685.202(a).

(iv) The repayment period for the repayment plan described in this paragraph (b)(1) does not include periods of authorized deferment or forbearance.

(2) Standard repayment plan for Direct Consolidation Loan borrowers entering repayment on or after July 1, 2006, and

who have not received a Direct Loan on or after July 1, 2026.

(i) Under this repayment plan, a borrower must repay a loan in full by making fixed monthly payments over a repayment period that varies with the total amount of the borrower's student loans, as described in paragraph ~~(j)~~(b)(2)(iii) of this section.

(ii) A borrower's payments under this repayment plan are at least $50 per month, except that a borrower's final payment may be less than $50.

(iii) *Repayment period under this paragraph (b)(2).* If the total amount of the Direct Consolidation Loan and the borrower's other student loans, as defined in § 685.220(i), is—

(A) Less than $7,500, the borrower must repay the Consolidation Loan within 10 years of entering repayment;

(B) Equal to or greater than $7,500 but less than $10,000, the borrower must repay the Consolidation Loan within 12 years of entering repayment;

(C) Equal to or greater than $10,000 but less than $20,000, the borrower must repay the Consolidation Loan within 15 years of entering repayment;

(D) Equal to or greater than $20,000 but less than $40,000, the borrower must repay the Consolidation Loan within 20 years of entering repayment;

(E) Equal to or greater than $40,000 but less than $60,000, the borrower must repay the Consolidation Loan within 25 years of entering repayment; and

(F) Equal to or greater than $60,000, the borrower must repay the Consolidation Loan within 30 years of entering repayment.

(iv) The repayment period for the repayment plan described in this paragraph (b)(2) does not include periods of authorized deferment or forbearance.

(3) Extended repayment plan for all Direct Loan borrowers who entered repayment before July 1, 2006, and who have not received a Direct Loan on or after July 1, 2026.

(i) Under this repayment plan, a borrower must repay a loan in full by making fixed monthly payments within an extended period of time that varies with the total amount of the borrower's loans, as described in paragraph ~~(i)~~(b)(4)(iv) of this section.

(ii) A borrower makes fixed monthly payments of at least $50, except that a borrower's final payment may be less than $50.

(iii) The number of payments or the fixed monthly repayment amount may be adjusted to reflect changes in the variable interest rate identified in § 685.202(a).

(iv) *Repayment period under this paragraph (b)(3).* If the total amount of the borrower's Direct Loans is—

(A) Less than $10,000, the borrower must repay the loans within 12 years of entering repayment;

(B) Greater than or equal to $10,000 but less than $20,000, the borrower must repay the loans within 15 years of entering repayment;

(C) Greater than or equal to $20,000 but less than $40,000, the borrower must repay the loans within 20 years of entering repayment;

(D) Greater than or equal to $40,000 but less than $60,000, the borrower must repay the loans within 25 years of entering repayment; and

(E) Greater than or equal to $60,000, the borrower must repay the loans within 30 years of entering repayment.

(v) The repayment period for the repayment plan described in this paragraph (b)(3) does not include periods of authorized deferment or forbearance.

(4) Extended repayment plan for all Direct Loan borrowers entering repayment on or after July 1, 2006, and who have not received a Direct Loan on or after July 1, 2026.

(i) Under this repayment plan, a new borrower with more than $30,000 in outstanding Direct Loans accumulated on or after October 7, 1998 must repay either a fixed annual or graduated repayment amount over a period not to exceed 25 years from the date the loan entered repayment. For this repayment plan, a new borrower is defined as an individual who has no outstanding principal or interest balance on a Direct Loan as of October 7, 1998, or on the date the borrower obtains a Direct Loan on or after October 7, 1998.

(ii) A borrower's payments under this plan are at least $50 per month and will be more if necessary to repay the loan within the required time period.

(iii) The number of payments or the monthly repayment amount may be adjusted to reflect changes in the variable interest rate identified in § 685.202(a).

(iv) *Repayment period under this paragraph (b)(4).* If the total amount of the borrower's Direct Loans is—

(A) Less than $10,000, the borrower must repay the loans within 12 years of entering repayment;

(B) Greater than or equal to $10,000 but less than $20,000, the borrower must repay the loans within 15 years of entering repayment;

(C) Greater than or equal to $20,000 but less than $40,000, the borrower must repay the loans within 20 years of entering repayment;

(D) Greater than or equal to $40,000 but less than $60,000, the borrower must repay the loans within 25 years of entering repayment; and

(E) Greater than or equal to $60,000, the borrower must repay the loans within 30 years of entering repayment.

(v) The repayment period for the repayment plan described in this paragraph (b)(4) does not include periods of authorized deferment or forbearance.

(5) Graduated repayment plan for all Direct Loan borrowers who entered repayment before July 1, 2006, and who have not received a Direct Loan on or after July 1, 2026.

(i) Under this repayment plan, a borrower must repay a loan in full by making payments at two or more levels within a period of time that varies with the total amount of the borrower's loans, as described in paragraph ~~(i)~~(b)(5)(iv) of this section.

(ii) The number of payments or the monthly repayment amount may be adjusted to reflect changes in the variable interest rate identified in § 685.202(a).

(iii) No scheduled payment under this repayment plan may be less than the amount of interest accrued on the loan between monthly payments, less than 50 percent of the payment amount that would be required under the standard repayment plan described in paragraph (b)(1) of this section, or more than 150 percent of the payment amount that would be required under the standard repayment plan described in paragraph (b)(1) of this section.

(iv) *Repayment period under this paragraph (b)(5).* If the total amount of the borrower's Direct Loans is—

(A) Less than $10,000, the borrower must repay the loans within 12 years of entering repayment;

(B) Greater than or equal to $10,000 but less than $20,000, the borrower must repay the loans within 15 years of entering repayment;

(C) Greater than or equal to $20,000 but less than $40,000, the borrower must repay the loans within 20 years of entering repayment;

(D) Greater than or equal to $40,000 but less than $60,000, the borrower must repay the loans within 25 years of entering repayment; and

(E) Greater than or equal to $60,000, the borrower must repay the loans within 30 years of entering repayment.

(v) The repayment period for the repayment plan described in this paragraph (b)(5) does not include periods of authorized deferment or forbearance.

(6) Graduated repayment plan for Direct Subsidized Loan, Direct Unsubsidized Loan, and Direct PLUS Loan borrowers entering repayment on or after July 1, 2006 and who have not received a Direct Loan on or after July 1, 2026.

(i) Under this repayment plan, a borrower must repay a loan in full by making payments at two or more levels over a period of time not to exceed ten years from the date the loan entered repayment.

(ii) The number of payments or the monthly repayment amount may be adjusted to reflect changes in the variable interest rate identified in § 685.202(a).

(iii) A borrower's payments under this repayment plan may be less than $50 per month. No single payment under this plan will be more than three times greater than any other payment.

(iv) The repayment period for the repayment plan described in this paragraph (b)(6) does not include periods of authorized deferment or forbearance.

(7) Graduated repayment plan for Direct Consolidation Loan borrowers entering repayment on or after July 1, 2006, and who have not received a Direct Loan on or after July 1, 2026.

(i) Under this repayment plan, a borrower must repay a loan in full by making monthly payments that gradually increase in stages over the course of a repayment period that varies with the total amount of the borrower's student loans, as described in paragraph ~~(j)~~(b)(7)(iii) of this section.

(ii) A borrower's payments under this repayment plan may be less than $50 per month. No single payment under this plan will be more than three times greater than any other payment.

(iii) *Repayment period under this paragraph (b)(7).* If the total amount of the Direct Consolidation Loan and the borrower's other student loans, as defined in § 685.220(i), is—

(A) Less than $7,500, the borrower must repay the Consolidation Loan within 10 years of entering repayment;

(B) Equal to or greater than $7,500 but less than $10,000, the borrower must repay the Consolidation Loan within 12 years of entering repayment;

(C) Equal to or greater than $10,000 but less than $20,000, the borrower must repay the Consolidation Loan within 15 years of entering repayment;

(D) Equal to or greater than $20,000 but less than $40,000, the borrower must repay the Consolidation Loan within 20 years of entering repayment;

(E) Equal to or greater than $40,000 but less than $60,000, the borrower must repay the Consolidation Loan within 25 years of entering repayment; and

(F) Equal to or greater than $60,000, the borrower must repay the Consolidation Loan within 30 years of entering repayment.

(iv) The repayment period for the repayment plan described in this paragraph (b)(7) does not include periods of authorized deferment or forbearance.

(8) Tiered standard repayment plan for Direct Loan borrowers who received a Direct Loan before July 1, 2026 and also received a Direct Loan that was made on or after July 1, 2026.

(i) Under this repayment plan, a borrower must repay a loan in full by making fixed monthly payments over a repayment period that varies with the total amount of the borrower's Direct Loans, as described in paragraph (b)(8)(ii) of this section.

(ii) *Repayment period*. Under this repayment plan, if the total amount of Direct Loans at the time the borrower is entering repayment, is—

(A) Less than $25,000, the borrower must repay the Direct Loan within 10 years of entering repayment;

(B) Equal to or greater than $25,000 but less than $50,000, the borrower must repay the Direct Loan within 15 years of entering repayment;

(C) Equal to or greater than $50,000 but less than $100,000, the borrower must repay the Direct Loan within 20 years of entering repayment; and

(D) Equal to or greater than $100,000, the borrower must repay the Direct Loan within 25 years of entering repayment.

(c) *Fixed Repayment Plans for Direct Loans Made On or After July 1, 2026.*

The fixed repayment plans under this paragraph (c) shall only apply to Direct Loans made on or after July 1, 2026.

(1) Tiered Standard repayment plan for Direct Loan borrowers who received a Direct Loan on or after July 1, 2026.

(i) Under this repayment plan, a borrower must repay a loan in full by making fixed monthly payments over a repayment period that varies with the total amount of the borrower's Direct Loans, as described in paragraph (c)(1)(ii) of this section.

(ii) *Repayment period*. Under this repayment plan, if the total amount of Direct Loans at the time the borrower is entering repayment, is—

(A) Less than $25,000, the borrower must repay the Direct Loan within 10 years of entering repayment;

(B) Equal to or greater than $25,000 but less than $50,000, the borrower must repay the Direct Loan within 15 years of entering repayment;

(C) Equal to or greater than $50,000 but less than $100,000, the borrower must repay the Direct Loan within 20 years of entering repayment; and

(D) Equal to or greater than $100,000, the borrower must repay the Direct Loan within 25 years of entering repayment.

* * * * *

Amend § 685.209 by revising and republishing the section in its entirety to read as follows:

§ 685.209 Income-driven repayment plans.

(a) General.

Income-driven repayment (IDR) plans are repayment plans that base the borrower's monthly payment amount on the borrower's income and family size. The ~~four~~ five IDR plans are—

(1) The Revised Pay As You Earn (REPAYE) plan, which may also be referred to as the Saving on a Valuable Education (SAVE) plan;

(2) The Income-Based Repayment (IBR) plan;

(3) The Pay As You Earn (PAYE) Repayment plan; and

(4) The Income-Contingent Repayment (ICR) plan; and

(5) The Repayment Assistance Plan.

(b) ~~Definitions.~~

~~The following definitions apply to this section:~~ For the purposes of this section, the following terms apply:

(1) ***Applicable amount,*** under the IBR and PAYE plans, means 15 percent of the result obtained by calculating on at least an annual basis, the amount of the borrower's adjusted gross income, and the borrower's spouse's adjusted gross income if married filing jointly, that exceeds 150 percent of the poverty guideline. For new borrowers, as defined in this section, repaying under IBR or PAYE, 10

percent will be substituted for 15 percent in the calculation.

(2) ***Base payment***, under the Repayment Assistance Plan, means the amount of the applicable base payment for a borrower with an adjusted gross income —

(i) not more than $10,000, is $120;

(ii) more than $10,000 and not more than $20,000, is 1 percent of such adjusted gross income;

(iii) more than $20,000 and not more than $30,000, is 2 percent of such adjusted gross income;

(iv) more than $30,000 and not more than $40,000, is 3 percent of such adjusted gross income;

(v) more than $40,000 and not more than $50,000, is 4 percent of such adjusted gross income;

(vi) more than $50,000 and not more than $60,000, is 5 percent of such adjusted gross income;

(vii) more than $60,000 and not more than $70,000, is 6 percent of such adjusted gross income;

(viii) more than $70,000 and not more than $80,000, is 7 percent of such adjusted gross income;

(ix) more than $80,000 and not more than $90,000, is 8 percent of such adjusted gross income;

(x) more than $90,000 and not more than $100,000, is 9 percent of such adjusted gross income; and

(xi) more than $100,000, is 10 percent of such adjusted gross income.

(3) ***Dependent***, ~~under~~for the purposes of the Repayment Assistance Plan, means an individual who qualifies as a dependent under section 152 of the Internal Revenue Code of 1986, as amended, and who were claimed on the borrower's Federal income tax return. For a borrower who filed a Federal tax return as married filing separately, "dependent" shall only include the dependents claimed on the borrower's return.

(4) ***Discretionary income*** means the greater of $0 or the difference between the borrower's income as determined under paragraph (e)(1) of this section and—

(i) For the REPAYE plan, 225 percent of the applicable Federal poverty guideline;

(ii) For the IBR and PAYE plans, 150 percent of the applicable Federal poverty guideline; and

(iii) For the ICR plan, 100 percent of the applicable Federal poverty guideline.

(5) ***Eligible loan***, for purposes of determining ~~partial financial hardship status~~ the applicable amount and for adjusting the monthly payment amount in accordance with paragraph (g) of this section means—

(i) Any outstanding loan made to a borrower under the Direct Loan Program, except for a Direct PLUS Loan made to a parent borrower, or an excepted consolidation loan~~ a Direct Consolidation Loan that repaid a Direct PLUS Loan or a Federal PLUS Loan made to a parent borrower~~; and

(ii) Any outstanding loan made to a borrower under the FFEL Program, except for a Federal PLUS Loan made to a parent borrower, or an excepted consolidation loan~~a Federal Consolidation Loan that repaid a Federal PLUS Loan or a Direct PLUS Loan made to a parent borrower~~.

(6) ***Excepted consolidation loan***, means—

(i)

(A) A FFEL or Direct Consolidation Loan if such consolidation loan repaid a FFEL or Direct PLUS loan made to a parent borrower on behalf of a dependent student; or

(B) A FFEL or Direct Consolidation Loan that repaid a FFEL or Direct Consolidation loan described under paragraph (b)(6)(i)(A) of this definition that repaid a FFEL or Direct PLUS loan made to a parent borrower on behalf of a dependent student; and

(ii) Excludes a loan described under paragraph (b)(6)(i)(A) or (B) of this definition that was being repaid under any income contingent plan or any income-based repayment plan on any date between July 4, 2025 through June 30, 2028. For purposes of paragraph (b)(6)(ii) of this definition, being repaid means at least one payment was made under the income contingent or income-based repayment plans.

(7) ***Excepted loan*** means any outstanding loan that is—

(i) a Federal Direct PLUS Loan made to a parent borrower on behalf of a dependent student; or

(ii) a Federal Direct Consolidation Loan, if it repaid an excepted PLUS loan (as defined in this section) or an excepted consolidation loan (as defined in this section).

(8) ***Excepted PLUS loan*** means any outstanding loan that is a FFEL or Direct PLUS loan made to a parent borrower on behalf of a dependent student.

(9) ***Family size*** means, for all IDR plans except the Repayment Assistance Plan, the number of individuals that is determined by adding together—

(i)

(A) The borrower;

(B) The borrower's spouse, for a married borrower filing a joint Federal income tax return;

(C) The borrower's children, including unborn children who will be born during the year the borrower certifies family size, if the children receive more than half their support from the borrower and are not included in the family size for any other borrower except the borrower's spouse who filed jointly with the borrower; and

(D) Other individuals if, at the time the borrower certifies family size, the other individuals live with the borrower and receive more than half their support from the borrower and will continue to receive this support from

the borrower for the year for which the borrower certifies family size.

(ii) The Department may calculate family size based on Federal tax information reported to the Internal Revenue Service.

(10) ***Income*** means either—

(i) The borrower's and, if applicable, the spouse's, Adjusted Gross Income (AGI) as reported to the Internal Revenue Service; or

(ii) The amount calculated based on alternative documentation of all forms of taxable income received by the borrower and provided to the Secretary.

(11) ***Income-Based Repayment Plan*** means a repayment plan that bases the borrower's monthly payment amount on the borrower's income and family size set forth in Sec. 493C of the Act. The income-based repayment plan is: the Income-Based Repayment (IBR) Plan, except, for the purposes of this section, the term "Income-Based Repayment Plan" does not include the Repayment Assistance Plan described in Sec. 455(q) of the Act.

(12) ***Income-Contingent Repayment Plans*** mean the repayment plans that base the borrower's monthly payment amount on the borrower's income and family size in accordance with Sec. 455(d)(1)(D) of the Act.

(13) ***Income-driven repayment plan*** means a repayment plan in which the monthly payment amount is primarily determined by the borrower's income.

(14) ***Monthly payment or the equivalent*** under the income contingent and income-based repayment plans means—

(i) A required monthly payment as determined in accordance with paragraphs (k)(4)(i) through (iii) of this section;

(ii) A month in which a borrower receives a deferment or forbearance of repayment under one of the deferment or forbearance conditions listed in paragraphs (k)(4)(iv) of this section; or

(iii) A month in which a borrower makes a payment in accordance with procedures in paragraph (k)(6) of this section.

(15) ***New borrower*** means—

(i) For the purpose of the PAYE plan, an individual who—

(A) Has no outstanding balance on a Direct Loan Program loan or a FFEL Program loan as of October 1, 2007, or who has no outstanding balance on such a loan on the date the borrower receives a new loan after October 1, 2007; and

(B) Receives a disbursement of a Direct Subsidized Loan, a Direct Unsubsidized Loan, a Direct PLUS Loan made to a graduate or professional student, or a Direct Consolidation Loan on or after October 1, 2011, except that a borrower is not considered a new borrower if the Direct Consolidation Loan repaid a loan that would otherwise make the borrower ineligible under paragraph (13)(i)(A) of this definition.

(ii) For the purposes of the IBR plan, an individual who has no outstanding balance on a Direct Loan or FFEL Program loan ~~on~~ before July 1, 2014 and obtains no new loan on or after July 1, 2026, or who has no outstanding balance on such a loan on the date the borrower obtains a loan after July 1, 2014 but before July 1, 2026.

~~***Partial financial hardship*** means—~~

~~(i) For an unmarried borrower or for a married borrower whose spouse's income and eligible loan debt are excluded for purposes of determining a payment amount under the IBR or PAYE plans in accordance with paragraph (e) of this section, a circumstance in which the Secretary determines that the annual amount the borrower would be required to pay on the borrower's eligible loans under the 10-year standard repayment plan is more than what the borrower would pay under the IBR or PAYE plan as determined in accordance with paragraph (f) of this section. The Secretary determines the annual amount that would be due under the 10-year Standard Repayment plan based on the greater of the balances of the borrower's eligible loans that were outstanding at the time the borrower entered repayment on the loans or the balances on those loans that were outstanding at the time the borrower selected the IBR or PAYE plan.~~

~~(ii) For a married borrower whose spouse's income and eligible loan debt are included for purposes of determining a payment amount under the IBR or PAYE plan in accordance with paragraph (c) of this section, the Secretary's determination of partial financial hardship as described in paragraph (1) of this definition is based on the income and eligible loan debt of the borrower and the borrower's spouse.~~

(16) ***Poverty guideline*** refers to the income categorized by State and family size in the Federal poverty guidelines published annually by the United States Department of Health and Human Services pursuant to 42 U.S.C. 9902(2). If a borrower is not a resident of a State identified in the Federal poverty guidelines, the Federal poverty guideline to be used for the borrower is the Federal poverty guideline (for the relevant family size) used for the 48 contiguous States.

(17) ***Support*** includes money, gifts, loans, housing, food, clothes, car, medical and dental care, and payment of college costs.

(c) Borrower eligibility for IDR plans.

(1) Except as provided in paragraphs (d)(2) and (d)(4) of this section, defaulted loans may not be repaid under an IDR plan.

(2) ~~Any~~ Through June 30, 2028, a Direct Loan borrower who has not received a Direct Loan on or after July 1, 2026, may repay under the REPAYE plan if the borrower has loans eligible for repayment under the plan;

(3)

(i) Except as provided in paragraph (c)(3)(ii) of this section, any Direct Loan borrower may repay under the IBR plan if the borrower has loans eligible for repayment under the plan and ~~has a partial financial hardship~~ elects to have their aggregate monthly payment amount recalculated to not exceed the applicable amount when the borrower initially enters the plan.

(ii) A borrower who has made 60 or more qualifying repayments under the REPAYE plan on or after July 1, 2024, may not enroll in the IBR plan.

(4) Through June 30, 2028, ~~A~~a borrower may repay under the PAYE plan only if the borrower—

(i) Has loans eligible for repayment under the plan;

(ii) Is a new borrower;

(iii) ~~Has a partial financial hardship~~ Elects to have their aggregate monthly payment amount recalculated to not exceed the applicable amount when the borrower initially enters the plan; ~~and~~

(iv) Was repaying a loan under the PAYE plan on July 1, 2024. A borrower who was repaying under the PAYE plan on or after July 1, 2024 and changes to a different repayment plan in accordance with § 685.210(b) may not re-enroll in the PAYE plan; and~~.~~

(v) Has not received a Direct Loan on or after July 1, 2026.

(5)

(i) Except as provided in (c)(5)(ii) or (c)(5)(iii) of this section, and through June 30, 2028, a borrower may enroll under the ICR plan only if the borrower—

(A) Has loans eligible for repayment under the plan; ~~and~~

(B) Was repaying a loan under the ICR plan on July 1, 2024. A borrower who was repaying under the ICR plan on or after July 1, 2024, and changes to a different repayment plan in accordance with § 685.210(b) may not re-enroll in the ICR plan unless they meet the criteria in paragraph (c)(5)(ii) or (c)(5)(iii); and

(C) Has not received a Direct Loan on or after July 1, 2026.

(ii) (A) Through June 30, 2028, ~~A~~a borrower may choose the ICR plan to repay a Direct Consolidation Loan disbursed on or after July 1, 2006 and that repaid a parent Direct PLUS Loan or a parent Federal PLUS Loan.

(B) Paragraph (c)(5)(ii)(A) of this section shall not apply if that borrower received a Direct Loan on or after July 1, 2026.

(iii) (A) Through June 30, 2028, ~~A~~a borrower who has a Direct Consolidation Loan disbursed on or after July 1, 2025, which repaid a Direct parent PLUS loan, a FFEL parent PLUS loan, or a Direct Consolidation Loan that repaid a consolidation loan that included a Direct parent PLUS or FFEL parent PLUS loan may not choose any IDR plan except the ICR plan.

(B) Paragraph (c)(5)(iii)(A) of this section shall not apply if that borrower received a Direct Loan on or after July 1, 2026.

(6) Any Direct Loan borrower may repay under the Repayment Assistance Plan if the borrower has loans eligible for repayment under the plan.

(7) Transition from Income-Contingent Repayment Plans

(i) Before July 1, 2028, a borrower repaying Direct Loans under an income-contingent repayment plan, respectively, under paragraphs (a)(1), (a)(3), or (a)(4) of this section, or who is in an administrative forbearance (as defined under § 685.205(b)) associated with an income-contingent repayment plan, must elect to repay those Direct Loans under one of the following repayment plans for which they are otherwise eligible before July 1, 2028:

(A) the Repayment Assistance Plan under paragraph (a)(5) of this section;

(B) the income-based repayment plan under paragraph (a)(2) of this section;

(C) the standard repayment plans under § 685.208(b)(1) or (b)(2);

(D) the graduated repayment plans under § 685.208(b)(5), (b)(6), or (g)(7);

(E) the extended repayment plans under § 685.208(b)(3) or (b)(4); or

(F) through June 30, 2028, the income-contingent repayment plans, respectively, under paragraphs (a)(3) and (a)(4) of this section.

(ii) A borrower who elects to repay their loans under paragraph (c)(7)(i) of this section shall begin repaying under the terms of their elected repayment plan on July 1, 2028. Notwithstanding the foregoing, the borrower may elect to repay their loans earlier than July 1, 2028.

(iii) (A) In the case of a borrower who does not select a repayment plan under paragraph (c)(7)(i) of this section by July 1, 2028, the Secretary shall require the loans to be repaid under the following repayment plans:

(*1*) the Repayment Assistance Plan under paragraph (a)(5) of this section, for the Direct Loans eligible to be repaid under such repayment plan; or

(*2*) the income-based repayment plan under paragraph (a)(2), for the Direct Loans that are ineligible to be repaid under the Repayment Assistance Plan.

(B) The Secretary will require the borrower to repay their Direct Loans that are in a repayment status in an income-contingent repayment plan or an administrative forbearance associated with an income-contingent repayment plan under the terms of the applicable plan under paragraphs (c)(7)(iii)(A)(*1*) or (*2*) of this section on July 1, 2028.

(d) Loans eligible to be repaid under an IDR plan.

(1) Through June 30, 2028, ~~The~~ the following loans are eligible to be repaid under the REPAYE and PAYE plans: Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans made to graduate or professional students, and Direct Consolidation Loans that ~~did not repay a Direct parent PLUS Loan or a Federal parent PLUS Loan~~ are not excepted consolidation loans;

(2) The following loans, including defaulted loans, are eligible to be repaid under the ~~IBR~~ income-based repayment

plan: Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans made to graduate or professional students, and Direct Consolidation Loans that ~~did not repay a Direct parent PLUS Loan or a Federal parent PLUS Loan~~ are not excepted consolidation loans.

(3) Through June 30, 2028, ~~The~~ the following loans are eligible to be repaid under the ICR plan: Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans made to graduate or professional students, and all Direct Consolidation Loans (including ~~Direct Consolidation Loans that repaid Direct parent PLUS Loans or Federal parent PLUS Loans~~ excepted consolidation loans), except for Direct PLUS Consolidation Loans made before July 1, 2006.

(4) The following loans, including defaulted loans, are eligible to be repaid under the Repayment Assistance Plan: Direct Subsidized Loans, Direct Unsubsidized Loans, Direct PLUS Loans made to graduate or professional students, and Direct Consolidation Loans that are not excepted consolidation loans.

(5) Notwithstanding the conditions under paragraphs (d)(1) through (d)(3) of this section, only Direct Loans made before July 1, 2026 may be repaid under an income-contingent or income-based repayment plan.

(e) Treatment of income and loan debt —

(1) Income.

(i) For purposes of calculating the borrower's monthly payment amount under the Repayment Assistance Plan, REPAYE, ~~IBR~~ income-based repayment, and PAYE plans—

(A) For an unmarried borrower, a married borrower filing a separate Federal income tax return, or a married borrower filing a joint Federal tax return who certifies that the borrower is currently separated from the borrower's spouse or is currently unable to reasonably access the spouse's income, only the borrower's income is used in the calculation.

(B) For a married borrower filing a joint Federal income tax return, except as provided in paragraph (e)(1)(i)(A) of this section, the

combined income of the borrower and spouse is used in the calculation.

(ii) For purposes of calculating the monthly payment amount under the ICR plan—

(A) For an unmarried borrower, a married borrower filing a separate Federal income tax return, or a married borrower filing a joint Federal tax return who certifies that the borrower is currently separated from the borrower's spouse or is currently unable to reasonably access the spouse's income, only the borrower's income is used in the calculation.

(B) For married borrowers (regardless of tax filing status) who elect to repay their Direct Loans jointly under the ICR Plan or (except as provided in paragraph (e)(1)(ii)(A) of this section) for a married borrower filing a joint Federal income tax return, the combined income of the borrower and spouse is used in the calculation.

(2) Loan debt.

(i) For the REPAYE, ~~IBR~~ income-based repayment plan, and PAYE plans, the spouse's eligible loan debt is included for the purposes of adjusting the borrower's monthly payment amount as described in paragraph (g) of this section if the spouse's income is included in the calculation of the borrower's monthly payment amount in accordance with paragraph (e)(1) of this section.

(ii) For the ICR plan, the spouse's loans that are eligible for repayment under the ICR plan in accordance with paragraph (d)(3) of this section are included in the calculation of the borrower's monthly payment amount only if the borrower and the borrower's spouse elect to repay their eligible Direct Loans jointly under the ICR plan.

(iii) For the Repayment Assistance Plan, only the borrower’s loan debt that is eligible to be repaid under the plan is included for the purposes of calculating the borrower's monthly payment amount as described in paragraph (f)(5) of this section.

(f) Monthly payment amounts.

(1) For the REPAYE plan, the borrower's monthly payments are—

(i) $0 for the portion of the borrower's income, as determined under paragraph (e)(1) of this section, that is less than or equal to 225 percent of the applicable Federal poverty guideline; plus

(ii) 5 percent of the portion of income as determined under paragraph (e)(1) of this section that is greater than 225 percent of the applicable poverty guideline, prorated by the percentage that is the result of dividing the borrower's original total loan balance attributable to eligible loans received for the borrower's undergraduate study by the original total loan balance attributable to all eligible loans, divided by 12; plus

(iii) For loans not subject to paragraph (f)(1)(ii) of this section, 10 percent of the portion of income as determined under paragraph (e)(1) of this section that is greater than 225 percent of the applicable Federal poverty guidelines, prorated by the percentage that is the result of dividing the borrower's original total loan balance minus the original total loan balance of loans subject to paragraph (f)(1)(ii) of this section by the borrower's original total loan balance attributable to all eligible loans, divided by 12.

(2) For new borrowers under the ~~IBR~~ income-based repayment plan and for all borrowers on the PAYE plan, the borrower's monthly payments are the lesser of—

(i) 10 percent of the borrower's discretionary income, divided by 12; or

(ii) What the borrower would have paid on a 10-year standard repayment plan based on the eligible loan balances and interest rates on the loans at the time the borrower began paying under the ~~IBR~~ income-based repayment or PAYE plans~~.~~, except that the borrower may repay such loans in excess of 10 years.

(3) For those who are not new borrowers under the ~~IBR~~ income-based repayment plan, the borrower's monthly payments are the lesser of—

(i) 15 percent of the borrower's discretionary income, divided by 12; or

(ii) What the borrower would have paid on a 10-year standard repayment plan based on the eligible loan balances and interest rates on the loans at the time the borrower began paying under the ~~IBR~~ income-based repayment plan~~.~~, except that the borrower may repay such loans in excess of 10 years.

(4)

(i) For the ICR plan, the borrower's monthly payments are the lesser of—

(A) What the borrower would have paid under a repayment plan with fixed monthly payments over a 12-year repayment period, based on the amount that the borrower owed when the borrower began repaying under the ICR plan, multiplied by a percentage based on the borrower's income as established by the Secretary in a Federal Register notice published annually to account for inflation; or

(B) 20 percent of the borrower's discretionary income, divided by 12.

(ii)

(A) Married borrowers may repay their loans jointly under the ICR plan. The outstanding balances on the loans of each borrower are added together to determine the borrowers' combined monthly payment amount under paragraph (f)(4)(i) of this section;

(B) The amount of the payment applied to each borrower's debt is the proportion of the payments that equals the same proportion as that borrower's debt to the total outstanding balance, except that the payment is credited toward outstanding interest on any loan before any payment is credited toward principal.

(5) For the Repayment Assistance Plan, the borrower's applicable monthly payment is an amount equal to—

(i) the borrower’s applicable base payment, divided by 12; minus;

(ii) $50 for each dependent of the borrower.

(g) Adjustments to monthly payment amounts.

(1) Monthly payment amounts calculated under paragraphs (f)(1) through (3) of this section will be adjusted in the following circumstances:

(i) In cases where the spouse's loan debt is included in accordance with paragraph (e)(2)(i) of this section, the borrower's payment is adjusted by—

(A) Dividing the outstanding principal and interest balance of the borrower's eligible loans by the couple's combined outstanding principal and interest balance on eligible loans; and

(B) Multiplying the borrower's payment amount as calculated in accordance with paragraphs (f)(1) through (3) of this section by the percentage determined under paragraph (g)(1)(i) of this section.

(ii) In cases where the borrower has outstanding eligible loans made under the FFEL Program, the borrower's calculated monthly payment amount, as determined in accordance with paragraphs (f)(1) through (3) of this section or, if applicable, the borrower's adjusted payment as determined in accordance with paragraph (g)(1) of this section is adjusted by—

(A) Dividing the outstanding principal and interest balance of the borrower's eligible loans that are Direct Loans by the borrower's total outstanding principal and interest balance on eligible loans; and

(B) Multiplying the borrower's payment amount as calculated in accordance with paragraphs (f)(1) through (3) of this section or the borrower's adjusted payment amount as determined in accordance with paragraph (g)(1) of this section by the percentage determined under paragraph (g)(2)(i) of this section.

(iii) In cases where the borrower's monthly payment amount calculated under paragraphs (f)(1) through (3) of this section or the borrower's adjusted monthly payment as calculated under paragraphs (g)(1)(i) or (g)(1)(ii) of this section is—

(A) Less than $5, the monthly payment is $0; or

(B) Equal to or greater than $5 but less than $10, the monthly payment is $10.

(2) Monthly payment amounts calculated under paragraph (f)(4) of this section will be adjusted to $5 in circumstances where the borrower's calculated payment amount is greater than $0 but less than or equal to $5.

(3)(i) Monthly payment amounts calculated under paragraph (f)(5) of this section will be adjusted in the following circumstances:

(A) In cases where the borrower's monthly payment amount calculated under paragraph (f)(5) of this section is less than $10, the monthly payment is $10, except that a borrower’s final payment may be less than $10.

(B) In cases where the borrower’s total outstanding balance on all loans being repaid under the Repayment Assistance Plan is less than the applicable monthly payment amount as calculated under paragraph (f)(5) of this section is less than $10, the applicable monthly payment shall be the total outstanding balance.

(h) ***Interest.*** If a borrower's calculated monthly payment under an IDR plan is insufficient to pay the accrued interest on the borrower's loans, the Secretary charges the remaining accrued interest to the borrower in accordance with paragraphs (h)(1) through (~~3~~4) of this section.

(1) Under the REPAYE plan, during all periods of repayment on all loans being repaid under the REPAYE plan, the Secretary does not charge the borrower's account any accrued interest that is not covered by the borrower's payment;

(2)

(i) Under the ~~IBR~~ income-based repayment and PAYE plans, the Secretary does not charge the borrower's account with an amount equal to the amount of accrued interest on the borrower's Direct Subsidized Loans and Direct Subsidized Consolidation Loans that is not covered by the borrower's payment for the first three consecutive years of repayment under the plan, except as provided for the ~~IBR~~ income-based repayment and PAYE plans in paragraph (h)(2)(ii) of this section;

(ii) Under the ~~IBR~~ income-based repayment and PAYE plans, the 3-year period described in paragraph (h)(2)(i) of this section excludes any period during which the borrower receives an economic hardship deferment under § 685.204(g); and

(3) Under the ICR plan, the Secretary charges all accrued interest to the borrower.

(4) Under the Repayment Assistance Plan, during all periods of repayment on all loans being repaid under the Repayment Assistance Plan, the Secretary does not charge the borrower's account for any accrued interest that is not covered by the borrower's payment for that month.

(i) ***Changing repayment plans.*** A borrower who is repaying under an IDR plan may change at any time to any other repayment plan for which the borrower is eligible, except as otherwise provided in § 685.210(b).

(j) ***Interest capitalization.***

(1) Under the Repayment Assistance Plan, ~~REPAYE, PAYE, and ICR~~ income-contingent repayment plans, the Secretary capitalizes unpaid accrued interest in accordance with § 685.202(b).

(2) Under the ~~IBR~~ income-based repayment plan, the Secretary capitalizes unpaid accrued interest—

(i) In accordance with § 685.202(b);

(ii) When a borrower's payment is the amount described in paragraphs (f)(2)(ii) and (f)(3)(ii) of this section; and

(iii) When a borrower leaves the ~~IBR~~ income-based repayment plan.

(k) Forgiveness timeline.

(1) In the case of a borrower repaying under the REPAYE plan who is repaying at least one loan received for graduate or professional study, or a Direct Consolidation Loan that repaid one or more loans received for graduate or professional study, a borrower repaying under the ~~IBR~~ income-based repayment plan who is not a new borrower, or a borrower repaying under the ICR plan, the borrower receives forgiveness of the remaining balance of the borrower's loan after the borrower has satisfied 300 monthly payments or the equivalent in accordance with paragraph (k)(4) of this section over a period of at least 25 years;

(2) In the case of a borrower repaying under the REPAYE plan who is repaying only loans received for undergraduate study, or a Direct Consolidation Loan that repaid only loans received for undergraduate study, a borrower repaying under the ~~IBR~~ income-based repayment plan who is a new borrower, or a borrower repaying under the PAYE plan, the borrower receives forgiveness of the remaining balance of the borrower's loans after the borrower has satisfied 240 monthly payments or the equivalent in accordance with paragraph (k)(4) of this section over a period of at least 20 years;

(3) Notwithstanding paragraphs (k)(1) and (k)(2) of this section, a borrower receives forgiveness if the borrower's total original principal balance on all loans that are being paid under the REPAYE plan was less than or equal to $12,000, after the borrower has satisfied 120 monthly payments or the equivalent, plus an additional 12 monthly payments or the equivalent over a period of at least 1 year for every $1,000 if the total original principal balance is above $12,000.

(4) For ~~all IDR~~ the income-contingent and income-based repayment plans, a borrower receives a month of credit toward forgiveness by—

(i) (A) Notwithstanding paragraph (k)(4)(i)(B) of this section, ~~M~~making a payment under an IDR plan or having a monthly payment obligation of $0;

(B) For the income-based repayment plan only, making a payment on or before June 30, 2028, under an income-contingent repayment plan or having a monthly payment obligation of $0;

(ii) Making a payment under the 10-year standard repayment plan under § 685.208(b)(1);

(iii) Making a payment under a repayment plan with payments that are as least as much as they would have been under the 10-year standard repayment plan under § 685.208(b)(1), except that no more than 12 payments made under paragraph (l)(9)(iii) of this section may count toward forgiveness under the REPAYE plan;

(iv) Deferring or forbearing monthly payments under the following provisions:

(A) A cancer treatment deferment under section 455(f)(3) of the Act;

(B) A rehabilitation training program deferment under § 685.204(e);

(C) An unemployment deferment under § 685.204(f);

(D) An economic hardship deferment under § 685.204(g), which includes volunteer service in the Peace Corps as an economic hardship condition;

(E) A military service deferment under § 685.204(h);

(F) A post active-duty student deferment under § 685.204(i);

(G) A national service forbearance under § 685.205(a)(4) on or after July 1, 2024;

(H) A national guard duty forbearance under § 685.205(a)(7) on or after July 1, 2024;

(I) A Department of Defense Student Loan Repayment forbearance under § 685.205(a)(9) on or after July 1, 2024;

(J) An administrative forbearance under § 685.205(b)(8) or (9) on or after July 1, 2024; or

(K) A bankruptcy forbearance under § 685.205(b)(6)(viii) on or after July 1, 2024 if

the borrower made the required payments on a confirmed bankruptcy plan.

(v) Making a qualifying payment as described under § 685.219(c)(2),

(vi)

(A) Counting payments a borrower of a Direct Consolidation Loan made on the Direct Loans or FFEL program loans repaid by the Direct Consolidation Loan if the payments met the criteria in paragraph (k)(4) of this section, the criteria in § 682.209(a)(6)(vi) that were based on a 10-year repayment period, or the criteria in § 682.215.

(B) For a borrower whose Direct Consolidation Loan repaid loans with more than one period of qualifying payments, the borrower receives credit for the number of months equal to the weighted average of qualifying payments made rounded up to the nearest whole month.

(C) For borrowers whose Joint Direct Consolidation Loan is separated into individual Direct Consolidation loans, each borrower receives credit for the number of months equal to the number of months that was credited prior to the separation; or,

(vii) Making payments under paragraph (k)(6) of this section.

(5) For the ~~IBR~~ income-based repayment plan only, a monthly repayment obligation for the purposes of forgiveness includes—

(i) A payment made pursuant to paragraph (k)(4)(i) or (k)(4)(ii) of this section on a loan in default;

(ii) An amount collected through administrative wage garnishment or Federal Offset that is equivalent to the amount a borrower would owe under paragraph (k)(4)(i) of this section, except that the number of monthly payment obligations satisfied by the borrower cannot exceed the number of months from the Secretary's receipt of the collected amount until the

borrower's next annual repayment plan recertification date under ~~IBR~~ income-based repayment; or

(iii) An amount collected through administrative wage garnishment or Federal Offset that is equivalent to the amount a borrower would owe on the 10-year standard plan.

(6)

(i) A borrower may obtain credit toward forgiveness as defined in paragraph (k) of this section for any months in which a borrower was in a deferment or forbearance not listed in paragraph (k)(4)(iv) of this section, other than periods in an in-school deferment, by making an additional payment equal to or greater than their current IDR payment, including a payment of $0, for a deferment or forbearance that ended within 3 years of the additional repayment date and occurred after July 1, 2024.

(ii) Upon request, the Secretary informs the borrower of the months for which the borrower can make payments under paragraph (k)(6)(i) of this section.

(7) In the case of a borrower repaying under the Repayment Assistance Plan, the borrower receives forgiveness of the remaining balance of the borrower's loans after the borrower has satisfied 360 monthly payments or the equivalent in accordance with paragraph (k)(8) of this section over a period of at least 30 years.

(8) For a borrower repaying at least one loan under the Repayment Assistance Plan—

(i) To qualify for loan forgiveness, a borrower must have—

(A) participated in the Repayment Assistance Plan during any period;

(B) made their final payment under such Repayment Assistance Plan prior to loan cancellation; and

(C) Made 360 qualifying monthly payments, which includes any of the following:

(*1*) An on-time monthly payment made by the date the payment is due for that month in accordance with paragraph (f)(5) of this section;

(*2*) An on-time monthly payment made by the date the payment is due for that month under the tiered standard repayment plan in accordance with §685.208(c)(1);

(*3*) A monthly payment under any other repayment plan (excluding the Repayment Assistance Plan), of not less than the monthly payment that would have been required under a standard repayment plan amortized over a 10-year period;

(*4*) A monthly payment under the income-based repayment plan in accordance with this section of not less than the monthly payment required under the plan, including the minimum payment permitted under that plan;

(*5*) Prior to July 1, 2028, a monthly payment under an income-contingent repayment plan under this section, of not less than the monthly payment required under the applicable plan, including the minimum payment permitted under such plan;

(*6*) Prior to July 1, 2028, a monthly payment under an alternative repayment plan in accordance with §685.221, of not less than the monthly payment required under the plan, including the minimum payment permitted under that plan;

(*7*) A month when the borrower received an unemployment deferment (as provided under §685.204(f)) or economic hardship deferment (as provided under §685.204(g)); or

(*8*) A month that ended before July 1, 2026, when the borrower did not make a payment because they were in a period of deferment or forbearance as follows:

(*a*) A cancer treatment deferment under section 455(f)(3) of the Act;

(*b*) A rehabilitation training program deferment under § 685.204(e);

(*c*) An unemployment deferment under § 685.204(f);

(*d*) An economic hardship deferment under § 685.204(g), which includes volunteer service in the Peace Corps as an economic hardship condition;

(*e*) A military service deferment under § 685.204(h);

(*f*) A post active-duty student deferment under § 685.204(i);

(*g*) A national service forbearance under § 685.205(a)(4) on or after July 1, 2024;

(*h*) A national guard duty forbearance under § 685.205(a)(7) on or after July 1, 2024;

(*i*) A Department of Defense Student Loan Repayment forbearance under § 685.205(a)(9) on or after July 1, 2024;

(*j*) An administrative forbearance under § 685.205(b)(8) or (9) on or after July 1, 2024; or

(*k*) A bankruptcy forbearance under § 685.205(b)(6)(viii) on or after July 1, 2024 if the borrower made the required payments on a confirmed bankruptcy plan.

(l) Application and annual recertification procedures.

(1) To initially enter or recertify their intent to repay under an IDR plan, a borrower (and their spouse, if applicable) provides approval for the disclosure of applicable tax information to the Secretary either as part of the process of completing a Direct Loan Master Promissory Note or a Direct Consolidation Loan Application and Promissory Note in accordance with sections ~~455(e)(8) and~~ 493C(c)(2) and 494(a)(2) of the Act or on application form approved by the Secretary~~;~~.

(2) If a borrower (and their spouse, if applicable) does not provide approval for the disclosure of applicable tax information under sections ~~455(e)(8) and~~ 493C(c)(2) and 494(a)(2) of the Act when completing the promissory note or on the application form for an IDR plan, the borrower must provide documentation to the Secretary—

(i) for the Income-Based Repayment plan, of the borrower's income and family size; or

(ii) for the Repayment Assistance plan, the borrower's income and the number of dependents of the borrower.

(3) If the Secretary has received approval for disclosure of applicable tax information, but cannot obtain the borrower's ~~AGI and family size~~ tax information from the Internal Revenue Service, the borrower ~~and, if applicable, the borrower's spouse,~~ (and their spouse, if applicable) must provide documentation to the Secretary—

(i) for the Income-Based Repayment plan, the borrower's income and family size; or

(ii) for the Repayment Assistance Plan, the borrower's income and the number of dependents.

(4) After the Secretary obtains sufficient information to calculate the borrower's monthly payment amount, the Secretary calculates the borrower's payment and establishes the 12-month period during which the borrower will be obligated to make a payment in that amount~~;~~.

(5) The Secretary sends to the borrower a repayment disclosure that—

(i) Specifies the borrower's calculated monthly payment amount;

(ii) Explains how the payment was calculated;

(iii) Informs the borrower of the terms and conditions of the borrower's selected repayment plan; ~~and~~

(iv) Informs the borrower of how to contact the Secretary if the calculated payment amount is not reflective of the borrower's current income ~~or~~ and family size, or income and the number of dependents for the Repayment Assistance Plan;

(v) Informs the borrower of the right of the Secretary to follow the procedures in paragraph (l)(3) of this section and in accordance with section 493C(c)(2) of the Act on an annual basis to automatically recertify their eligibility for an IDR plan; and

(vi) Informs the borrower of their right to opt out, at any time, of the disclosure of applicable tax information under section 493C(c)(2) of the Act, and describes the process for affirmatively opting out.

(6) If the borrower believes that the payment amount is not reflective of the borrower's current income and family size, or income and the number of dependents for the Repayment Assistance Plan, the borrower may request that the Secretary recalculate the payment amount. To support the request, the borrower must also submit alternative documentation of income, or and family size, or income and the number of dependents for the Repayment Assistance Plan ~~not based on tax information~~ to account for circumstances such as a decrease in income since the borrower last filed a tax return, the borrower's separation from a spouse with whom the borrower had previously filed a joint tax return, the birth or impending birth of a child, or other comparable circumstances~~;~~.

(7) If the borrower provides alternative documentation under paragraph (l)(6) of this section or if the Secretary obtains documentation from the borrower or spouse under paragraph (l)(3) of this section, the Secretary grants forbearance under § 685.205(b)(9) to provide time for the Secretary to recalculate the borrower's monthly payment amount based on the documentation obtained from the borrower or spouse~~;~~.

(8) Once the borrower has 3 monthly payments remaining under the 12-month period specified in paragraph (l)(4) of this section, the Secretary follows the procedures in paragraphs (l)(3) through (l)(7) of this section.

(9) If the Secretary requires information from the borrower under paragraph (l)(3) of this section to recalculate the borrower's monthly repayment amount under paragraph (l)(8) of this section, and the borrower does not provide the necessary documentation to the Secretary by the time the last payment is due under the 12-month period specified under paragraph (l)(4) of this section—

(i) For the ~~IBR~~ income-based repayment and PAYE plans, the borrower's monthly payment amount is the amount determined under paragraph (f)(2)(ii) or (f)(3)(ii) of this section;

(ii) For the ICR plan, the borrower's monthly payment amount is the amount the borrower would have paid under a 10-year standard repayment plan based on the total balance of the loans being repaid under the ICR Plan when the borrower initially entered the ICR Plan; ~~and~~

(iii) For the REPAYE plan, the Secretary removes the borrower from the REPAYE plan and places the borrower on an alternative repayment plan under which the borrower's required monthly payment is the amount the borrower would have paid on a 10-year standard repayment plan based on the current loan balances and interest rates on the loans at the time the borrower is removed from the REPAYE plan~~.~~; and

(iv) For the Repayment Assistance Plan, the borrower's required monthly payment is the amount the borrower would have paid on a 10-year standard repayment plan based on the total balance of the loans when such loans entered repayment.

(10) At any point during the 12-month period specified under paragraph (l)(4) of this section, the borrower may request that the Secretary recalculate the borrower's payment earlier than would have otherwise been the case to account for a change in the borrower's circumstances, such as a loss of income or employment or divorce. In such cases, the 12-month period specified under paragraph (l)(4) of this section is reset based on the borrower's new information.

(11) The Secretary tracks a borrower's progress toward eligibility for forgiveness under paragraph (k) of this section and forgives loans that meet the criteria under paragraph (k) of this section without the need for an application or documentation from the borrower.

(m) Automatic enrollment in an IDR plan.

* * * * *

(n) Removal from default.

The Secretary will no longer consider a borrower in default on a loan if—

(1) The borrower provides information necessary to calculate a payment under paragraph (f) of this section;

(2) The payment calculated pursuant to paragraph (f) of this section is $0; and

(3) The income information used to calculate the payment under paragraph (f) of this section includes the point at which the loan defaulted.

(o) Other Provisions

(1) For the PAYE plan, Repayment Assistance Plan, and REPAYE plan, if the borrower's monthly payment amount or the monthly payment reduced under paragraph (g)(3)(i) of this section is not sufficient to pay any of the principal due, the payment of that principal is postponed.

(2) *Matching Principal Payment.* In the case where the borrower is not in a period of deferment under §685.204 or forbearance under §685.205 and the borrower's monthly payment as applied in paragraph (f)(5)(i) of this section reduces the outstanding principal balance by less than $50, the Secretary reduces such total outstanding principal of the borrower by an amount that is equal to—

(i) the lesser of—

(A) $50; or

(B) the monthly payment made; minus

(ii) the amount of the monthly payment that is applied to such total outstanding principal balance.

* * * * *

Amend § 685.210 by revising and republishing the section in its entirety to read as follows:

§ 685.210 Choice of repayment plan.

(a) Initial selection of a repayment plan.

(1) (i) Before a Direct Loan enters into repayment, the Secretary provides a borrower with a description of the

available repayment plans and requests that the borrower select one. A borrower may select a repayment plan before the loan enters repayment by notifying the Secretary of the borrower's selection in writing.

(ii) Borrowers with Direct Loans made on or after July 1, 2026, may select—

(A) The tiered standard repayment plan in accordance with § 685.208 if those Direct Loans are otherwise eligible to be repaid under the plan; or

(B) The Repayment Assistance Plan in accordance with § 685.209 if those Direct Loans are otherwise eligible to be repaid under the plan.

(2) (i) For Direct Loans made before July 1, 2026, ~~I~~if a borrower does not select a repayment plan, the Secretary designates the standard repayment plan described in § 685.208(b)(1) or (b)(2) for the borrower, as applicable.

(ii) For Direct Loans made on or after July 1, 2026, if a borrower does not select a repayment plan, the Secretary designates the tiered standard repayment plan described in § 685.208(c)(1) for the borrower.

(3) All Direct Loans obtained by one borrower must be repaid together under the same repayment plan, except that—

(i) A borrower of a Direct PLUS Loan or a Direct Consolidation Loan that is not eligible for repayment under an IDR plan may repay the Direct PLUS Loan or Direct Consolidation Loan separately from other Direct Loans obtained by the borrower; ~~and~~

(ii) A borrower of a Direct PLUS Consolidation Loan that entered repayment before July 1, 2006, may repay the Direct PLUS Consolidation Loan separately from other Direct Loans obtained by that borrower; ~~and.~~

(iii)(A) A borrower of a Direct PLUS Loan or an excepted consolidation loan defined under § 685.209 that is not eligible for repayment under the Repayment Assistance Plan must repay the Direct PLUS Loan or excepted consolidation loan separately from other

Direct Loans obtained by the borrower that are being repaid under the Repayment Assistance Plan.

(B) A borrower who has received an excepted loan as defined under § 685.209 made on or after July 1, 2026, must repay the excepted loan under the tiered standard repayment plan under § 685.208(c)(1) and may repay the other Direct Loans separately from such excepted loan.

(b) Changing repayment plans.

(1) For Direct Loans made before July 1, 2026, ~~A~~a borrower who has entered repayment may change to any other repayment plan for which the borrower is eligible at any time by notifying the Secretary. However, a borrower who is repaying a defaulted loan under the IBR plan or who is repaying a Direct Consolidation Loan under an IDR plan in accordance with § 685.220(d)(1)(i)(A)(3) may not change to another repayment plan unless—

(i) The borrower was required to and did make a payment under the IBR plan or other IDR plan in each of the prior three months; or

(ii) The borrower was not required to make payments but made three reasonable and affordable payments in each of the prior 3 months; and

(iii) The borrower makes, and the Secretary approves, a request to change plans.

(2)

(i) For Direct Loans made before July 1, 2026, ~~A~~a borrower may not change to a repayment plan that would cause the borrower to have a remaining repayment period that is less than zero months, except that an eligible borrower may change to an IDR plan under § 685.209 at any time.

(ii) For the purposes of paragraph (b)(2)(i) of this section, the remaining repayment period is—

(A) For a fixed repayment plan under § 685.208 or an alternative repayment plan under § 685.221, the maximum repayment period for the repayment plan, the borrower is seeking to enter, less the

period of time since the loan has entered repayment, plus any periods of deferment and forbearance; and

(B) For an IDR plan under § 685.209, as determined under § 685.209(k).

(3) For Direct Loans made before July 1, 2026, ~~A~~a borrower who made payments under the IBR plan and successfully completed rehabilitation of a defaulted loan may chose the REPAYE plan when the loan is returned to current repayment if the borrower is otherwise eligible for the REPAYE plan and if the monthly payment under the REPAYE plan is equal to or less than their payment on IBR.

(4)

(i) For Direct Loans made before July 1, 2026, ~~I~~if a borrower no longer wishes to pay under the IBR plan, the borrower must pay under the standard repayment plan or the Repayment Assistance Plan. ~~and~~ For the standard repayment plan, the Secretary recalculates the borrower's monthly payment based on—

(A) For a Direct Subsidized Loan, a Direct Unsubsidized Loan, or a Direct PLUS Loan, the time remaining under the maximum ten-year repayment period for the amount of the borrower's loans that were outstanding at the time the borrower discontinued paying under the IBR plan; or

(B) For a Direct Consolidation Loan, the time remaining under the applicable repayment period as initially determined under § 685.208(b)(7)(iii) and the amount of that loan that was outstanding at the time the borrower discontinued paying under the IBR plan.

(ii) For Direct Loans made before July 1, 2026, ~~A~~a borrower who no longer wishes to repay under the IBR plan and who is required to repay under the Direct Loan standard repayment plan in accordance with paragraph (b)(4)(i) of this section may request a change to a different repayment plan after making one monthly payment under the Direct Loan standard repayment plan. For this purpose, a monthly payment may include one payment made under a forbearance that

provides for accepting smaller payments than previously scheduled, in accordance with § 685.205(a).

(5) For Direct Loans made on or after July 1, 2026, a borrower may change repayment plans in accordance with this paragraph (b)(5) at any time after the loan has entered repayment by notifying the Secretary.

(i) A borrower who is enrolled in the tiered standard repayment plan under § 685.208(c)(1) or is placed in the tiered standard repayment plan in accordance with the provisions under paragraph (a)(2)(ii) of this section may change to the Repayment Assistance Plan under § 685.209.

(ii) A borrower who is enrolled in the Repayment Assistance Plan under § 685.209 may change to the tiered standard repayment plan under § 685.208(c)(1).

* * * * *

Amend § 685.211 by revising paragraphs (a), (d), and (f) to read as follows:

§ 685.211 Miscellaneous payment provisions

(a) * * *

(1) * * *

(i) Except as provided for the Income-Based Repayment plan or Repayment Assistance Plan in paragraph (a)(1)(ii) of this section, the Secretary applies any payment in the following order:

(A) Accrued charges and collection costs.

(B) Outstanding interest.

(C) Outstanding principal.

(ii) The Secretary applies any payment made under the Income-Based Repayment plan or the Repayment Assistance Plan in the following order:

(A) Accrued interest.

(B) Collection costs and late charges.

~~(C) Late charges.~~

(C~~D~~) Loan principal.

* * * * *

(d) * * *

(3) * * *

(ii) If a borrower defaults on a Direct Subsidized Loan, a Direct Unsubsidized Loan, a Direct Consolidation Loan that is not an excepted consolidation loan as defined in § 685.209, or a student Direct PLUS Loan, the Secretary may designate the ~~income-contingent repayment~~ Repayment Assistance Plan or the income-based repayment plan for the borrower.

* * * * *

(f) * * *

(1) * * *

(i) *Minimum Payment Amounts.*

(A) Before July 1, 2027, ~~T~~the Secretary initially considers the borrower's reasonable and affordable payment amount to be an amount equal to the minimum payment required under the IBR plan, except that if this amount is less than $5, the borrower's monthly payment is $5.

(B) Beginning on and after July 1, 2027, the Secretary initially considers the borrower's reasonable and affordable payment amount to be an amount equal to the minimum payment required under the IBR plan, except that if this amount is less than $10, the borrower’s monthly payment is $10.

* * *

(11) * * *

(iii) (A) Before July 1, 2027, ~~A~~a borrower may only obtain the benefit of a suspension of administrative

wage garnishment while also attempting to rehabilitate a defaulted loan once.

(B) On or after July 1, 2027, a borrower may only obtain the benefit of a suspension of administrative wage garnishment while also attempting to rehabilitate a defaulted loan a maximum of twice per loan.

(12) (i) Effective for any defaulted Direct Loan that is rehabilitated on or after August 14, 2008, and before July 1, 2027, the borrower cannot rehabilitate the loan again if the loan returns to default status following the rehabilitation.

(ii) Effective for any defaulted Direct Loan on or after July 1, 2027, the borrower may not rehabilitate the loan again if the loan returns to default status following the second rehabilitation.

* * * * *

Amend §685.219 by revising paragraph (b) Definitions, Qualifying Repayment Plan (iv) and (v), to read as follows:

§ 685.219 Public Service Loan Forgiveness Program (PSLF).

* * * * *

(b) * * *

Qualifying repayment plan means:

* * *

(iv) An income-contingent repayment plan under § 685.209 for which a payment was received on or before June 30, 2028; or

(v) The Repayment Assistance Plan as defined under § 685.209.

* * * * *

Amend § 685.220 by revising paragraphs (d)(2), (h), and (i) to read as follows:

§ 685.220 Consolidation.

* * * * *

(d) * * *

(2) * * *

(i)

(A) Before July 1, 2028, ~~T~~the borrower has a Federal Consolidation Loan that is in default or has been submitted to the guaranty agency by the lender for default aversion, and the borrower wants to consolidate the Federal Consolidation Loan into the Direct Loan Program for the purpose of obtaining an income-contingent repayment plan or an income-based repayment plan; or

(B) On or after July 1, 2028, the borrower has a Federal Consolidation Loan that is in default or has been submitted to the guaranty agency by the lender for default aversion, and the borrower wants to consolidate the Federal Consolidation Loan into the Direct Loan Program for the purpose of obtaining the Income-Based Repayment plan or Repayment Assistance Plan; or

(ii) The borrower has a Federal Consolidation Loan, and the borrower wants to consolidate that loan into the Direct Loan Program for the purpose of using the Public Service Loan Forgiveness Program or the no accrual of interest benefit for active duty service.

* * * * *

(h) * * *

(1) For a Direct Consolidation Loan made before July 1, 2026, a~~A~~ borrower may choose a repayment plan ~~for a Direct Consolidation Loan~~, in accordance with §§ 685.208, 685.209, and 685.221, and may change repayment plans in accordance with § 685.210(b).

(2) For a Direct Consolidation Loan made on or after July 1, 2026, a borrower may choose the tiered standard repayment plan, or the Repayment Assistance Plan, in accordance with §§ 685.208, 685.209 and may change repayment plans in accordance with § 685.210(b).

(i) * * *

(2)

(i) Borrowers who entered repayment before July 1, 2006. The Secretary determines the repayment period under § 685.208~~(i)~~(b)(3)(iv) or (5)(iv) on the basis of the outstanding balances on all of the borrower's loans that are eligible for consolidation and the balances on other education loans except as provided in paragraphs (i)(3)(i), (ii), and (iii) of this section.

(ii) Borrowers entering repayment on or after July 1, 2006. The Secretary determines the repayment period under § 685.208~~(j)~~(b)(2)(iii) or (7)(iii) on the basis of the outstanding balances on all of the borrower's loans that are eligible for consolidation and the balances on other education loans except as provided in paragraphs (i)(3)(i) through (iii) of this section.

(3)

(i) The total amount of outstanding balances on the other education loans used to determine the repayment period under § 685.208~~(i)~~(b)(2)(iii), (3)(iv), (5)(iv), and (7)(iii)~~(j)~~ may not exceed the amount of the Direct Consolidation Loan.

(ii) The borrower may not be in default on the other education loan unless the borrower has made satisfactory repayment arrangements with the holder of the loan.

(iii) The lender of the other educational loan may not be an individual.

* * * * *

Amend § 685.221 by revising paragraph (a) and adding paragraph (e) to read as follows:

§ 685.221 Alternative repayment plan.

(a) The Secretary may provide an alternative repayment plan to a borrower who has not received a Direct Loan on or after July 1, 2026 and who demonstrates to the Secretary's satisfaction that

the terms and conditions of the repayment plans specified in §§ 685.208 and 685.209 are not adequate to accommodate the borrower's exceptional circumstances.

* * * * *

(e) The repayment plan under this section shall only apply to Direct Loans made before July 1, 2026.